

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **CASEVILLE TOWNSHIP**

Huron County, Michigan

## **FINANCIAL STATEMENTS**

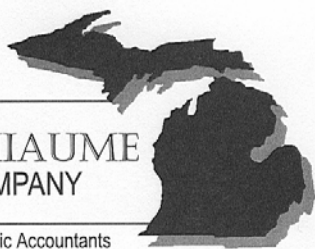
March 31, 2006

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**BERTHIAUME  
& COMPANY**

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## **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Caseville Township  
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caseville Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Caseville Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caseville Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caseville Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 14, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2005.

*Berthiaume & Co.*

June 25, 2006

## ***BASIC FINANCIAL STATEMENTS***

# CASEVILLE TOWNSHIP

## STATEMENT OF NET ASSETS

March 31, 2006

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,780,826	\$ 725,286	\$ 2,506,112
Taxes receivable	48,698	-	48,698
Accounts receivable	-	107,534	107,534
Special assessments receivable	204,727	3,547,166	3,751,893
Due from other governmental units	20,867	-	20,867
Prepaid expenses	1,998	-	1,998
Restricted cash and investments	-	917,742	917,742
Capital assets:			
Nondepreciable capital assets	205,661	-	205,661
Depreciable capital assets, net	<u>97,838</u>	<u>7,983,310</u>	<u>8,081,148</u>
Total assets	<u>2,360,615</u>	<u>13,281,038</u>	<u>15,641,653</u>
<b>Liabilities:</b>			
Accounts payable	31,581	24,219	55,800
Accrued expenses	8,180	152,185	160,365
Long-term liabilities:			
Due within one year	119,110	440,000	559,110
Due in more than one year	<u>416,927</u>	<u>6,245,000</u>	<u>6,661,927</u>
Total liabilities	<u>575,798</u>	<u>6,861,404</u>	<u>7,437,202</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	228,462	1,221,201	1,449,663
Restricted for:			
Debt service	250,598	768,022	1,018,620
Capital improvements	-	149,720	149,720
Nonexpendable cemetery principal	138,186	-	138,186
Unrestricted	<u>1,167,571</u>	<u>4,280,691</u>	<u>5,448,262</u>
Total net assets	<u>\$ 1,784,817</u>	<u>\$ 6,419,634</u>	<u>\$ 8,204,451</u>

*The accompanying notes are an integral part of these financial statements.*

# CASEVILLE TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Functions/Programs</b>					
<b><i>Governmental activities:</i></b>					
General government	\$ 313,476	\$ 75,341	\$ 10,245	\$ 4,800	\$ (223,090)
Public safety	392,654	2,931	1,332	-	(388,391)
Public works	93,860	5,449	3,092	-	(85,319)
Health and welfare	13,989	-	-	-	(13,989)
Community and economic development	51,256	30,111	-	-	(21,145)
Recreation and culture	12,643	-	-	-	(12,643)
Interest on long-term debt	37,552	-	-	-	(37,552)
Total governmental activities	915,430	113,822	14,669	4,800	(782,129)
<b><i>Business-type activities:</i></b>					
Water	824,683	667,280	79,350	-	(78,053)
	\$ 1,740,113	\$ 781,112	\$ 94,019	\$ 4,800	\$ (860,182)

continued

*The accompanying notes are an integral part of these financial statements.*

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	<b><u>Governmental Activities</u></b>	<b><u>Business- type Activities</u></b>	<b><u>Total</u></b>
<i>Changes in net assets</i>			
Net (Expense) Revenue	\$ (782,129)	\$ (78,053)	\$ (860,182)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	177,142	-	177,142
Property taxes, levied for fire protection	151,273	-	151,273
Property taxes, levied for police protection	154,611	-	154,611
Property taxes, levied for road improvements	142,037	-	142,037
Franchise taxes	9,337	-	9,337
Grants and contributions not restricted to specific programs	125,423	-	125,423
Unrestricted investment earnings	60,981	34,700	95,681
Contributions to principal of permanent funds	2,600	-	2,600
Special item - gain(loss) on sale of capital asset	14,740	-	14,740
Total general revenues, contributions and special items	<u>838,144</u>	<u>34,700</u>	<u>872,844</u>
Change in net assets	56,015	(43,353)	12,662
Net assets, beginning of year, as restated	<u>1,728,802</u>	<u>6,462,987</u>	<u>8,191,789</u>
Net assets, end of year	<u>\$ 1,784,817</u>	<u>\$ 6,419,634</u>	<u>\$ 8,204,451</u>



# CASEVILLE TOWNSHIP

## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	<b>General Fund</b>	<b>Police Fund</b>	<b>Road Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 701,133	\$ 238,795	\$ 261,713	\$ 579,185	\$ 1,780,826
Taxes receivable	28,783	10,047	9,868	-	48,698
Special assessments receivable	-	-	-	204,727	204,727
Due from other governmental units	20,867	-	-	-	20,867
Due from other funds	92	-	-	-	92
Prepaid expenditures	1,998	-	-	-	1,998
Advance receivable from other fund	14,000	-	-	-	14,000
Total assets	<u>\$ 766,873</u>	<u>\$ 248,842</u>	<u>\$ 271,581</u>	<u>\$ 783,912</u>	<u>\$ 2,071,208</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 7,894	\$ 23,666	\$ -	\$ 21	\$ 31,581
Due to other funds	-	-	-	92	92
Advance payable to other fund	-	-	-	14,000	14,000
Deferred revenue	-	-	-	198,302	198,302
Total liabilities	<u>7,894</u>	<u>23,666</u>	<u>-</u>	<u>212,415</u>	<u>243,975</u>
<b>Fund balances:</b>					
Reserved for:					
Prepaid expenditures	1,998	-	-	-	1,998
Debt service	-	-	-	250,598	250,598
Nonexpendable cemetery principal	-	-	-	138,186	138,186
Unreserved:					
General fund	756,981	-	-	-	756,981
Special revenue funds	-	225,176	271,581	182,713	679,470
Total fund balances	<u>758,979</u>	<u>225,176</u>	<u>271,581</u>	<u>571,497</u>	<u>1,827,233</u>
Total liabilities and fund balances	<u>\$ 766,873</u>	<u>\$ 248,842</u>	<u>\$ 271,581</u>	<u>\$ 783,912</u>	<u>\$ 2,071,208</u>

The accompanying notes are an integral part of these financial statements.

# CASEVILLE TOWNSHIP

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## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Year Ended March 31, 2006

**Total fund balances for governmental funds** \$ 1,827,233

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	398,815	
Less accumulated depreciation	<u>(95,316)</u>	303,499

Interest payable in the governmental activities are not payable from  
current resources and therefore are not reported in the governmental  
funds. (8,180)

Deferred revenues reported in the governmental funds are recognized as  
revenues for the governmental activities. 198,302

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Land contract payable	(75,037)	
Bonds payable	<u>(461,000)</u>	<u>(536,037)</u>

**Net assets of governmental activities** \$ 1,784,817

*The accompanying notes are an integral part of these financial statements.*

# CASEVILLE TOWNSHIP

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<u>General Fund</u>	<u>Police Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 393,078	\$ 154,611	\$ 142,037	\$ -	\$ 689,726
Licenses and permits	33,863	-	-	-	33,863
State grants	143,560	1,332	-	-	144,892
Charges from services	7,471	-	-	4,439	11,910
Fines and forfeits	-	2,813	-	-	2,813
Interest and rents	18,170	6,317	5,305	32,189	61,981
Other revenue	1,603	118	-	88,807	90,528
Total revenues	<u>597,745</u>	<u>165,191</u>	<u>147,342</u>	<u>125,435</u>	<u>1,035,713</u>
<b>Expenditures:</b>					
<i>Current:</i>					
General government	290,920	-	-	17,354	308,274
Public safety	168,484	224,170	-	-	392,654
Public works	1,630	-	92,230	-	93,860
Health and welfare	13,989	-	-	-	13,989
Community and economic development	51,256	-	-	-	51,256
Recreation and culture	12,643	-	-	-	12,643
Capital outlay	12,627	-	-	-	12,627
Debt service:					
Principal	8,197	-	-	116,001	124,198
Interest and fees	6,363	-	-	33,275	39,638
Total expenditures	<u>566,109</u>	<u>224,170</u>	<u>92,230</u>	<u>166,630</u>	<u>1,049,139</u>
Excess (deficiency) of revenues over expenditures	<u></u>	<u>(58,979)</u>	<u>55,112</u>	<u>(41,195)</u>	<u>(13,426)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	9,951	9,951
Transfers out	(5,000)	-	-	(4,951)	(9,951)
Total other financing sources (uses)	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	26,636	(58,979)	55,112	(36,195)	(13,426)
Fund balances, beginning of year, as restated	<u>732,343</u>	<u>284,155</u>	<u>216,469</u>	<u>607,692</u>	<u>1,840,659</u>
Fund balances, end of year	<u>\$ 758,979</u>	<u>\$ 225,176</u>	<u>\$ 271,581</u>	<u>\$ 571,497</u>	<u>\$ 1,827,233</u>

The accompanying notes are an integral part of these financial statements.

# CASEVILLE TOWNSHIP

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

**Net change in fund balances - total governmental funds** \$ (13,426)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	12,363	
Less depreciation expense	<u>(4,938)</u>	7,425

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. (64,268)

Repayments of principal on long-term obligations are expenditures in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 124,197

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds payable	<u>2,087</u>
	<u><u>\$ 56,015</u></u>

*The accompanying notes are an integral part of these financial statements.*

# CASEVILLE TOWNSHIP

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## *PROPRIETARY FUNDS*

### STATEMENT OF NET ASSETS

March 31, 2006

	<b>Major Enterprise Fund Water Fund</b>
<b>Assets:</b>	
<b><i>Current assets:</i></b>	
Cash and cash equivalents	\$ 725,286
Accounts receivable	107,534
Special assessments receivable	<u>47,072</u>
Total current assets	<u>879,892</u>
<b><i>Noncurrent assets:</i></b>	
Restricted cash and cash equivalents	917,742
Special assessments receivable	3,500,094
Capital assets:	
Depreciable capital assets, net	<u>7,983,310</u>
Total noncurrent assets	<u>12,401,146</u>
Total assets	<u>13,281,038</u>
<b>Liabilities:</b>	
<b><i>Current liabilities:</i></b>	
Accounts payable	24,219
Accrued expenses	152,185
Current portion of long-term debt	<u>440,000</u>
Total current liabilities	616,404
<b><i>Noncurrent liabilities:</i></b>	
Long-term debt	<u>6,245,000</u>
Total liabilities	<u>6,861,404</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	1,298,310
Restricted for:	
Debt service	768,022
Capital improvements	149,720
Unrestricted	<u>4,203,582</u>
Total net assets	<u>\$ 6,419,634</u>

*The accompanying notes are an integral part of these financial statements.*

# CASEVILLE TOWNSHIP

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## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2006

	<b>Major Enterprise Fund Water Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 446,472
Penalties	2,204
Total operating revenues	<u>448,676</u>
<b>Operating expenses:</b>	
Personnel	21,550
Fringe benefits	496
Supplies	876
Contracted services	74,989
Purchase of water	62,882
Administrative expense	34,322
Telephone	1,182
Mileage	105
Printing and publishing	415
Insurance	1,796
Utilities	230
Repair and maintenance	9,902
Depreciation	<u>244,074</u>
Total operating expenses	<u>452,819</u>
Operating income (loss)	<u>(4,143)</u>
<b>Non-operating revenues (expenses):</b>	
Interest income	34,700
Interest income earned on special assessments	218,604
Capital contributions - connection fees	79,350
Interest expense	<u>(371,864)</u>
Total non-operating revenues (expenses)	<u>(39,210)</u>
Net income (loss)	<u>(43,353)</u>
Net assets, beginning of year	<u>6,462,987</u>
Net assets, end of year	<u><u>\$ 6,419,634</u></u>

*The accompanying notes are an integral part of these financial statements.*

# CASEVILLE TOWNSHIP

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## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

	Major Enterprise Fund Water Fund
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 450,214
Cash payments to employees	(21,550)
Cash payments to suppliers for goods and services	(167,907)
Net cash provided (used) by operating activities	<u>260,757</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal payments	(430,000)
Interest paid	(371,864)
Payments received on special assessments	277,832
Interest earned on special assessments	218,604
Payments received for water line connections	<u>79,350</u>
Net cash provided (used) by capital and related financing activities	<u>(226,078)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>34,700</u>
Net cash provided by investing activities	<u>34,700</u>
Net increase (decrease) in cash and cash equivalents	69,379
Cash and cash equivalents, beginning of year	<u>1,573,649</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,643,028</u></u>
<b>Reconciliation of operating income (loss) to net cash rprovided (used) by operating activities:</b>	
Operating income (loss)	\$ (4,143)
Adjustments:	
Depreciation	244,074
Change in assets and liabilities	
Accounts receivable	1,538
Accounts payable	24,026
Accrued expenses	<u>(4,738)</u>
Net cash provided (used) by operating activities	<u><u>\$ 260,757</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***



# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Caseville Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Police Fund** is used to account for the revenues collected to provide for police protection in the township.

The **Road Fund** is used to account for the revenues collected to provide for the maintenance of public roads within the township.

The Township reports the following major enterprise fund:

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	15-50 years
Equipment	5-25 years
Furniture and equipment	5-25 years
Site improvements	15-25 years
Vehicles	10-25 years

**Compensated Absences** – The Township does not allow the carryover of unused sick or vacation days.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### **Property Taxes:**

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Huron County.

The 2005 taxable valuation of the Township totaled \$192,555,986 on which ad valorem taxes levied consisted of .9448 mills for the Township's operating purposes, .8 mills for fire protection, 1 mill for police protection and .7674 mills for Road Improvements.

The delinquent real property taxes of the Township are purchased by Huron County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **Budgetary Information:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2005	\$ -
Current year building permit revenue	24,526
Related expenditures:	
Direct costs	(28,356)
Indirect costs	<u>-</u>
Cumulative surplus at March 31, 2006	<u><u>\$ -</u></u>

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits are subject to several types of risk, which are presented in more detail as follows:

#### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$2,460,846 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$300,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. At year end, the Township had no investments.

# CASEVILLE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### NOTE 4: CAPITAL ASSETS

Primary Government capital asset activity for the year ended March 31, 2006 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 201,373	\$ 4,288	\$ -	\$ 205,661
Depreciable capital assets:				
Buildings and improvements	182,025	-	-	182,025
Equipment	-	5,405	-	5,405
Furniture and equipment	-	2,670	-	2,670
Site improvements	3,054	-	-	3,054
	185,079	8,075	-	193,154
Accumulated depreciation	(90,378)	(4,938)	-	(95,316)
Total depreciable capital assets, net	94,701	3,137	-	97,838
Governmental activities, capital assets, net	<u>\$ 296,074</u>	<u>\$ 7,425</u>	<u>\$ -</u>	<u>\$ 303,499</u>
<b>Business-type activities:</b>				
Depreciable capital assets				
Land improvements	\$ 2,541	\$ -	\$ -	\$ 2,541
Equipment	126,181	-	-	126,181
Distribution system	9,055,107	-	-	9,055,107
Total capital assets	9,183,829	-	-	9,183,829
Accumulated depreciation	(956,446)	(244,074)	-	(1,200,520)
Business-type activities, capital assets, net	<u>\$ 8,227,383</u>	<u>\$ (244,074)</u>	<u>\$ -</u>	<u>\$ 7,983,309</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	<u>\$ 4,938</u>
<b>Business-type activities:</b>	
Water System	<u>\$ 237,327</u>
Total business-type activities	<u>\$ 237,327</u>

# CASEVILLE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### NOTE 5: LONG-TERM LIABILITIES

The Township has special assessment bonds that were used to finance water line construction, dredging and road improvement projects, revenue bonds to finance water tower and plant expansion construction and a land contract for the purchase of land. The Township's special assessments bonds and land contract are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Loan Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><u>Land Contract Payable</u></b>					
2002 Contract - Land Purchase	12/1/12	8.00%	\$ 546 - \$ 1,204	\$ 100,000	\$ 75,037
<b><u>Special Assessment Bonds Payable</u></b>					
<b><u>Dredging</u></b>					
1988 Issue - Sand Point Canal	3/1/07-3/1/08	4.70%	20,000	170,000	40,000
1999 Issue - Sandy Isle	5/1/06-5/1/09	5.25-5.40%	40,000	355,000	160,000
<b><u>Road Improvements</u></b>					
2000 Issue - Hartshorn and Gagetown	5/1/06-5/1/10	5.00%	15,000-20,000	150,000	80,000
2000 Issue - Gagetown and Glenss	5/1/06-5/1/10	7.75-8.00%	20,000-30,000	280,000	145,000
2003 Issue - Michael and Georgina	5/1/06-5/1/12	6.00%	4,000-6,000	44,000	36,000
<b><u>Business-type Activities</u></b>					
<b><u>Special Assessment Bonds Payable</u></b>					
1999 Issue - Water District # 1	5/1/06-5/1/19	4.80-5.25%	200,000	3,745,000	2,800,000
2000 Issue - Water District # 2	5/1/06-5/1/20	5.00-5.75%	20,000	360,000	300,000
2003 Issue - Water District # 3	5/1/06-5/1/21	4.75-5.20%	15,000-20,000	340,000	310,000
<b><u>Revenue Bonds Payable</u></b>					
1999 Issue - Water Tower/Plant Expansion	5/1/06-5/1/19	5.10-6.125%	200,000-300,000	3,900,000	3,275,000



# CASEVILLE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
<b><i>Land Contract Payable</i></b>					
2002 Contract - Land Purchase	\$ 83,234	\$ -	\$ (8,197)	\$ 75,037	\$ 8,110
<b><i>Special Assessment Bonds Payable</i></b>					
<b><i>Dredging</i></b>					
1988 Issue - Sand Point Canal	60,000	-	(20,000)	40,000	20,000
1999 Issue - Sandy Isle	200,000	-	(40,000)	160,000	40,000
<b><i>Road improvements</i></b>					
2000 Issue - Hartshorn and Gagetown	95,000	-	(15,000)	80,000	15,000
2000 Issue - Gagetown and Glenns	180,000	-	(35,000)	145,000	30,000
2003 Issue - Michael and Georgina	42,000	-	(6,000)	36,000	6,000
	<u>577,000</u>	<u>-</u>	<u>(116,000)</u>	<u>461,000</u>	<u>111,000</u>
Total Governmental Activity Debt	<u>\$ 660,234</u>	<u>\$ -</u>	<u>\$ (124,197)</u>	<u>\$ 536,037</u>	<u>\$ 119,110</u>
<b><u>Business-type Activities</u></b>					
<b><i>Special Assessment Bonds Payable</i></b>					
1999 Issue - Water District # 1	\$ 3,000,000	\$ -	\$ (200,000)	\$ 2,800,000	\$ 200,000
2000 Issue - Water District # 2	315,000	-	(15,000)	300,000	20,000
2001 Issue - Water District # 3	325,000	-	(15,000)	310,000	20,000
	<u>3,640,000</u>	<u>-</u>	<u>(230,000)</u>	<u>3,410,000</u>	<u>240,000</u>
<b><i>Revenue Bonds Payable</i></b>					
1999 Issue - Water Tower/Plant Expansion	<u>3,475,000</u>	<u>-</u>	<u>(200,000)</u>	<u>3,275,000</u>	<u>200,000</u>
	<u>3,475,000</u>	<u>-</u>	<u>(200,000)</u>	<u>3,275,000</u>	<u>200,000</u>
Total Business-type Activity Debt	<u>\$ 7,115,000</u>	<u>\$ -</u>	<u>\$ (430,000)</u>	<u>\$ 6,685,000</u>	<u>\$ 440,000</u>

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

Annual debt service requirements to maturity for the above contractual obligations are as follows:

Year Ended March 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 119,110	\$ 30,419	\$ 149,529	\$ 440,000	\$ 354,319	\$ 794,319
2008	119,550	23,730	143,280	440,000	332,319	772,319
2009	99,343	16,499	115,842	440,000	310,014	750,014
2010	100,201	10,138	110,339	440,000	288,047	728,047
2011	62,131	4,798	66,929	440,000	264,674	704,674
2012	19,138	1,961	21,099	440,000	240,189	680,189
2013	16,564	536	17,100	440,000	216,394	656,394
2014	-	-	-	465,000	191,662	656,662
2015	-	-	-	465,000	165,982	630,982
2016	-	-	-	465,000	139,909	604,909
2017	-	-	-	535,000	111,251	646,251
2018	-	-	-	535,000	80,389	615,389
2019	-	-	-	540,000	49,637	589,637
2020	-	-	-	540,000	18,738	558,738
2021	-	-	-	40,000	2,130	42,130
2022	-	-	-	20,000	520	20,520
	<u>\$ 536,037</u>	<u>\$ 88,081</u>	<u>\$ 624,118</u>	<u>\$ 6,685,000</u>	<u>\$ 2,766,174</u>	<u>\$ 9,451,174</u>

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## NOTE 6: INTERFUND BALANCES

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The composition of interfund receivable and payable balances at March 31, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cemetery Fund	<u>\$ 92</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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## NOTE 7: INTERFUND ADVANCES

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The composition of interfund advances receivable and payable at March 31, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Kathleen Drive - Debt Service Fund	<u>\$ 14,000</u>

This amount represents the remaining balance due on a loan made to finance the road improvements to Kathleen Drive.

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

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### NOTE 8: INTERFUND TRANSFERS

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Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Cemetery Fund	\$ 5,000
Cemetery Perpetual Care Fund	Cemetery Fund	<u>4,951</u>
	Total	<u>\$ 9,951</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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### NOTE 9: SPECIAL ASSESSMENTS RECEIVABLE

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The Township has levied special assessments for the financing of road improvements, canal dredging and water lines within the Township. These special assessments receivable balances as of March 31, 2006 are as follows:

#### DEBT SERVICE FUNDS:

Road Improvements	
Hartshorn Subdivision	\$ 40,261
Gagetown Road and Glenns Subdivision	14,217
Michael and Georgina Drive	29,665
Kathleen Drive	6,788
Dredging	
Sand Point	16,303
Sandy Isle	<u>97,493</u>
	<u>\$ 204,727</u>

#### ENTERPRISE FUND:

1999 Water Extension #1	\$ 2,951,926
2000 Water Extension #2	185,302
2002 Water Extension #3	<u>409,938</u>
	<u>\$ 3,547,166</u>

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

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### NOTE 10: DEFERRED REVENUE IN GOVERNMENTAL FUNDS

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total Deferred Revenue
Special assessments receivable	\$ 198,302	\$ -	\$ 198,302

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

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### NOTE 11: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Township manages medical benefits by purchasing insurance through Municipal Benefit Services, a service provided by the Michigan Municipal League, manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium for its workers compensation, property and liability insurance coverage. Both the Michigan Municipal Workers Compensation Fund and the Michigan Township Participating Plan are self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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### NOTE 12: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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The Township has a defined contribution pension plan administered by the John Hancock Life Insurance Company of America. All members of the township board, building inspectors, assessors, and employees who are employed for more than 20 hours per week on a regular basis, that have reached age 18, and worked at least one continuous year are eligible for benefits. The Township contributes 7.5% of each eligible employee's pay to the plan. For the fiscal year ended March 31, 2006, the Township made contributions of \$5,516 into the pension plan.

#### Post Employment Benefits:

The Township has no post employment benefits other than the pension plan described above.

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

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### NOTE 13: FUND EQUITY

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Specific reservations of fund equity include:

*Reserved for prepaid expenditures* – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

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### NOTE 14: PRIOR PERIOD ADJUSTMENTS

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#### Change in Recognition of Sales Tax Revenue:

Recognition of state shared revenue payments of sales tax should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year. This change results in an increase in fund balance of \$19,377 as of March 31, 2005.

#### Change in recording of Fixed Assets:

Fixed assets, according to generally accepted accounting principles, are not recorded on governmental fund statements. In the prior year, the financial statements for the governmental fund types included fixed assets. The correction of this error results in a reduction in fund balance of the General Fund and Cemetery Fund of \$201,373 and \$8,420 respectively, as of March 31, 2005.

#### Change in recording of Long-term Debt:

Long-term liabilities, according to generally accepted accounting principles, are not recorded on governmental fund statements. In the prior year, the financial statements for the governmental fund types included long-term debt. The correction of this error results in an increase in fund balance of \$83,234, as of March 31, 2005.

#### Change in pension liability:

In the prior year the pension liability was understated. The correction of this error resulted in a decrease in the General Fund fund balance of \$2,436, as of March 31, 2005.

These changes affect the General Fund and Cemetery Fund as follows:

	<b>General Fund</b>	<b>Cemetery Fund</b>
Fund balance, as previously stated, as of 3/31/05	\$ 833,541	\$ 13,790
Add: State shared revenue for sales tax that should have accrued to prior year	19,377	-
Deduct: Fixed assets that should not have been recorded.	(201,373)	(8,420)
Add: Long-term debt that should not have been recorded	83,234	-
Deduct: Correction in pension liability	(2,436)	-
Fund balance, restated, as of 3/31/05	<u>\$ 732,343</u>	<u>\$ 5,370</u>

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### Correction of an error in recording Special Assessments Receivable and related Deferred Revenue:

In prior years, the balance of the special assessments receivable in the Water Fund was understated. In enterprise funds, according to generally accepted accounting principles, the special assessments receivable and associated revenue are recorded in the year the assessment is created. Deferred revenue is not supposed to be recorded. The result of this correction on the beginning retained earnings/net assets follows:

	<u>Enterprise Fund</u>
	<u>Water</u>
Retained earnings/ net assets, as previously stated, as of 3/31/05	\$ 2,689,314
Add: Correction of deferred revenue balances	3,074,805
Add: Correction of special assessment receivable balances	<u>698,868</u>
Retained earnings/net assets, as restated, as of 3/31/05	<u>\$ 6,462,987</u>

### Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Township is required to implement the new requirements for the year ended March 31, 2005. The significant changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

### Fund Financial Statements:

The beginning net assets of the enterprise fund were derived by aggregating the previously reported retained earnings and contributed capital of that fund.

# CASEVILLE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of the governmental funds as of 3/31/05.	\$ 1,840,659
Add: Governmental capital assets, including general fixed assets	386,452
Deduct: Accumulated depreciation as of 3/31/05 on above governmental capital assets	(90,378)
Add: Special assessments revenue record as deferred revenue as of 3/31/05	262,570
Deduct: Land contract and special assessment bonds payable as of 3/31/05	(660,234)
Deduct: Accrued interest payable as of 3/31/05	<u>(10,267)</u>
Governmental net assets, as of 3/31/05	<u>\$ 1,728,802</u>

***REQUIRED SUPPLEMENTAL INFORMATION***



# CASEVILLE TOWNSHIP

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues:</b>				
Property taxes	\$ 239,425	\$ 378,925	\$ 393,078	\$ 14,153
Licenses and permits	32,300	32,300	33,863	1,563
State grants	135,700	140,500	143,560	3,060
Charges for services	8,850	8,850	7,471	(1,379)
Interest and rents	3,800	3,800	18,170	14,370
Other revenue	15,250	15,250	1,603	(13,647)
Total revenues	435,325	579,625	597,745	18,120
<b>Expenditures:</b>				
<i>Current:</i>				
General government	310,805	310,805	290,920	(19,885)
Public safety	32,200	171,700	168,484	(3,216)
Public works	4,620	4,620	1,630	(2,990)
Health and welfare	16,500	16,500	13,989	(2,511)
Community and economic development	30,450	60,450	51,256	(9,194)
Recreation and culture	62,850	32,850	12,643	(20,207)
Capital outlay	9,300	14,100	12,627	(1,473)
Debt service:				
Principal	8,500	8,500	8,197	(303)
Interest and fees	6,500	6,500	6,363	(137)
Total expenditures	481,725	626,025	566,109	(59,916)
Excess (deficiency) of revenues over expenditures	(46,480)	(46,400)	31,636	78,036
<b>Other financing sources (uses):</b>				
Transfers out	(18,500)	(18,500)	(5,000)	(13,500)
Net change in fund balance	(64,900)	(64,900)	26,636	64,536
Fund balance, beginning of year, as restated	732,343	732,343	732,343	-
Fund balance, end of year	\$ 667,443	\$ 667,443	\$ 758,979	\$ 64,536

# CASEVILLE TOWNSHIP

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## *SPECIAL REVENUE FUND – POLICE FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Actual</b>
	<b>Original</b>	<b>Final</b>		<b>Over (Under) Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 118,025	\$ 118,025	\$ 154,611	\$ 36,586
State grants	1,500	1,500	1,332	(168)
Fines and forfeits	1,000	1,000	2,813	1,813
Interest	2,000	2,000	6,317	4,317
Other revenue	-	-	118	118
Total revenues	<u>122,525</u>	<u>122,525</u>	<u>165,191</u>	<u>42,666</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Public safety	<u>234,700</u>	<u>234,700</u>	<u>224,170</u>	<u>(10,530)</u>
Total expenditures	<u>234,700</u>	<u>234,700</u>	<u>224,170</u>	<u>(10,530)</u>
Excess (deficiency) of revenues over expenditures	(112,175)	(112,175)	(58,979)	53,196
Fund balance, beginning of year	<u>284,155</u>	<u>284,155</u>	<u>284,155</u>	<u>-</u>
Fund balance, end of year	<u>\$ 171,980</u>	<u>\$ 171,980</u>	<u>\$ 225,176</u>	<u>\$ 53,196</u>

# CASEVILLE TOWNSHIP

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## *SPECIAL REVENUE FUND – ROAD FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Actual</b>
	<b>Original</b>	<b>Final</b>		<b>Over (Under) Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 142,550	\$ 142,550	\$ 142,037	\$ (513)
Interest	<u>600</u>	<u>600</u>	<u>5,305</u>	<u>4,705</u>
Total revenues	<u>143,150</u>	<u>143,150</u>	<u>147,342</u>	<u>4,192</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Public works	<u>164,500</u>	<u>164,500</u>	<u>92,230</u>	<u>(72,270)</u>
Total expenditures	<u>164,500</u>	<u>164,500</u>	<u>92,230</u>	<u>(72,270)</u>
Excess (deficiency) of revenues over expenditures	(21,350)	(21,350)	55,112	76,462
Fund balance, beginning of year	<u>216,469</u>	<u>216,469</u>	<u>216,469</u>	<u>-</u>
Fund balance, end of year	<u>\$ 195,119</u>	<u>\$ 195,119</u>	<u>\$ 271,581</u>	<u>\$ 76,462</u>

***OTHER SUPPLEMENTAL INFORMATION***

# CASEVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

***Current taxes:***

Property taxes	\$ 328,217
Trailer tax	198
Administration fees	64,663
	<u>393,078</u>

***Licenses and permits:***

Nonbusiness licenses and permits	24,526
CATV franchise fees	9,337
	<u>33,863</u>

***State grants:***

State revenue sharing - Sales tax	125,423
Metro Act	3,092
State grant - election equipment	4,800
State property tax collection reimbursement	10,245
	<u>143,560</u>

***Charges for services:***

Copies	260
Zoning/variance/appeals fees	5,585
Other	626
Charges to other funds	1,000
	<u>7,471</u>

***Interest and rents:***

Interest	17,170
Rents	1,000
	<u>18,170</u>

***Other revenue:***

Reimbursements	369
Other	1,234
	<u>1,603</u>
Total revenues	<u><u>\$ 597,745</u></u>

# CASEVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

#### *General Government:*

##### *Board:*

Personnel	\$ 3,500
Fringe benefits	341
Insurance	166
	<u>4,007</u>

##### *Supervisor:*

Personnel	20,000
Fringe benefits	8,638
Supplies	155
Telephone	316
Transportation	1,185
Conferences and workshops	2,177
Insurance	1,077
	<u>33,548</u>

##### *Clerk:*

Personnel	43,518
Fringe benefits	38,720
Supplies	1,626
Contracted services	5,391
Telephone	3,114
Transportation	481
Dues and memberships	3,638
Conferences and workshops	1,867
Printing and publication	1,758
Insurance	2,441
	<u>102,554</u>

##### *Audit:*

Contracted services	<u>4,500</u>
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##### *Board of Review:*

Personnel	1,250
Fringe benefits	96
Supplies	180
Printing and publications	141
	<u>1,667</u>

# CASEVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

***General Government (continued):***

*Treasurer:*

Personnel	26,977
Fringe benefits	10,251
Supplies	4,836
Contracted services	1,250
Telephone	246
Transportation	128
Printing and publications	2,049
Insurance	1,517
Other	26
	<u>47,280</u>

*Assessor:*

Personnel	36,634
Fringe benefits	2,802
Supplies	3,971
Contracted services	9,381
Telephone	413
Transportation	619
Dues and memberships	325
Conferences and workshops	1,405
Insurance	1,547
	<u>57,097</u>

*Elections:*

Personnel	369
Supplies	41
	<u>410</u>

*Hall and Grounds:*

Personnel	3,854
Fringe benefits	926
Supplies	1,790
Contracted services	7,130
Insurance	259
Utilities	4,481
Repairs and maintenance	3,909
Equipment rental	2,779
Other	30
	<u>25,158</u>

*Attorney:*

Contracted services	<u>10,837</u>
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*Other General Services:*

Printing and publications	<u>3,862</u>
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Total general government	<u>290,920</u>
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# CASEVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

**Public Safety:**

*Safety Committee*

Personnel	840
Fringe benefits	83
	<u>923</u>

*Fire:*

Contracted services	<u>139,205</u>
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*Building Inspection Department:*

Personnel	24,000
Fringe benefits	1,836
Supplies	486
Transportation	286
Dues and memberships	100
Conferences and workshops	654
Insurance	994
	<u>28,356</u>

Total public safety	<u>168,484</u>
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**Public Works:**

*Drains-Public Benefit:*

Contracted services	771
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*Street Lighting:*

Utilities	<u>859</u>
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Total public works	<u>1,630</u>
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**Health and Welfare:**

*Ambulance:*

Contracted services	12,884
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*Other Health and Welfare:*

Contracted services	<u>1,105</u>
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Total health and welfare	<u>13,989</u>
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**Community and Economic Development:**

*Planning:*

Personnel	5,750
Fringe benefits	394
Supplies	87
Contracted services	50
Dues and memberships	175
Education and training	260
Printing and publications	318
Insurance	331
	<u>7,365</u>



# CASEVILLE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

#### *Community and Economic Development:*

##### *Zoning:*

Personnel	1,280
Fringe benefits	98
Contracted services	42,071
Conferences and workshops	180
Printing and publications	179
Insurance	83
	<u>43,891</u>

Total community and economic development	<u>51,256</u>
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#### *Recreation and Culture:*

##### *Parks Department:*

Personnel	800
Fringe benefits	67
Supplies	41
Contracted services	11,519
Utilities	216
	<u>12,643</u>

Total recreation and culture	<u>12,643</u>
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#### *Capital Outlay:*

General government	<u>12,627</u>
Total capital outlay	<u>12,627</u>

#### *Debt Service:*

Principal	8,197
Interest and fees	<u>6,363</u>
Total debt service	<u>14,560</u>

Total expenditures	566,109
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#### **Other Financing Uses:**

Transfers to other funds	<u>5,000</u>
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Total expenditures and other financing uses	<u>\$ 571,109</u>
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# CASEVILLE TOWNSHIP

## NONMAJOR GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	Special Revenue Funds			Debt Service Funds		
	Cemetery	Gypsy Moth	Building	Hartshorn Road	Gagetown Road and the Glenns Subdivision	Michael & Gorgina Drive
<b>Assets:</b>						
Cash and cash equivalents	\$ 4,282	\$ 163,775	\$ 14,769	\$ 16,284	\$ 116,413	\$ 7,532
Special assessments receivable	-	-	-	40,261	14,217	29,665
Total assets	<u>\$ 4,282</u>	<u>\$ 163,775</u>	<u>\$ 14,769</u>	<u>\$ 56,545</u>	<u>\$ 130,630</u>	<u>\$ 37,197</u>
<b>Liabilities and Fund Balances:</b>						
<i>Liabilities:</i>						
Accounts payable	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	92	-	-	-	-	-
Advance payable to other fund	-	-	-	-	-	-
Deferred revenue	-	-	-	38,353	14,217	27,377
Total liabilities	<u>113</u>	<u>-</u>	<u>-</u>	<u>38,353</u>	<u>14,217</u>	<u>27,377</u>
<i>Fund Balances:</i>						
Reserved for:						
Debt service	-	-	-	18,192	116,413	9,820
Nonexpendable cemetery principal	-	-	-	-	-	-
Unreserved:						
Special revenue funds	<u>4,169</u>	<u>163,775</u>	<u>14,769</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,169</u>	<u>163,775</u>	<u>14,769</u>	<u>18,192</u>	<u>116,413</u>	<u>9,820</u>
Total liabilities and fund balances	<u>\$ 4,282</u>	<u>\$ 163,775</u>	<u>\$ 14,769</u>	<u>\$ 56,545</u>	<u>\$ 130,630</u>	<u>\$ 37,197</u>

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Debt Service Funds			Permanent Fund	
Kathleen Drive	Sand Point Canal Dredging	Sand Isle Channel Dredging	Cemetery Perpetual Care Fund	Total NonMajor Governmental Funds
\$ 8,900	\$ 16,337	\$ 92,707	\$ 138,186	\$ 579,185
6,788	16,303	97,493	-	204,727
<u>\$ 15,688</u>	<u>\$ 32,640</u>	<u>\$ 190,200</u>	<u>\$ 138,186</u>	<u>\$ 783,912</u>
\$ -	\$ -	\$ -	\$ -	\$ 21
-	-	-	-	92
14,000	-	-	-	14,000
<u>6,646</u>	<u>15,463</u>	<u>96,246</u>	<u>-</u>	<u>198,302</u>
<u>20,646</u>	<u>15,453</u>	<u>96,246</u>	<u>-</u>	<u>212,415</u>
(4,958)	17,177	93,954	-	250,598
-	-	-	138,186	138,186
-	-	-	-	182,713
<u>(4,958)</u>	<u>17,177</u>	<u>93,954</u>	<u>138,186</u>	<u>571,497</u>
<u>\$ 15,688</u>	<u>\$ 32,640</u>	<u>\$ 190,200</u>	<u>\$ 138,186</u>	<u>\$ 783,912</u>

# CASEVILLE TOWNSHIP

## NONMAJOR GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	Special Revenue Funds			Debt Service Funds		
	Cemetery	Gypsy Moth	Building	Hartshorn Road	Gagetown Road and the Glenns Subdivision	Michael & Gorgina Drive
<b>Revenues:</b>						
Charges for services	\$ 4,439	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and rents	13	4,597	29	3,906	4,531	3,291
Other revenue	<u>1,750</u>	<u>-</u>	<u>14,740</u>	<u>11,716</u>	<u>3,554</u>	<u>7,333</u>
Total revenues	<u>6,202</u>	<u>4,597</u>	<u>14,769</u>	<u>15,622</u>	<u>8,085</u>	<u>10,624</u>
<b>Expenditures:</b>						
<i>Current:</i>						
General government	17,354	-	-	-	-	-
Debt service:						
Principal	-	-	-	11,534	38,467	6,000
Interest and fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,633</u>	<u>14,332</u>	<u>2,340</u>
Total expenditures	<u>17,354</u>	<u>-</u>	<u>-</u>	<u>15,167</u>	<u>52,799</u>	<u>8,340</u>
Excess (deficiency) of revenues over expenditures	<u>(11,152)</u>	<u>4,597</u>	<u>14,769</u>	<u>455</u>	<u>(44,714)</u>	<u>2,284</u>
<b>Other financing sources (uses):</b>						
Transfers in	9,951	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>9,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,201)	4,597	14,769	455	(44,714)	2,284
Fund balances, beginning of year, as restated	<u>5,370</u>	<u>159,178</u>	<u>-</u>	<u>17,737</u>	<u>161,127</u>	<u>7,536</u>
Fund balances, end of year,	<u>\$ 4,169</u>	<u>\$ 163,775</u>	<u>\$ 14,769</u>	<u>\$ 18,192</u>	<u>\$ 116,413</u>	<u>\$ 9,820</u>

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Debt Service Funds			Permanent Fund	
Kathleen Drive	Sand Point Canal Dredging	Sand Isle Channel Dredging	Cemetery Perpetual Care Fund	Total NonMajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 4,439
682	2,247	10,032	2,861	32,189
<u>831</u>	<u>8,331</u>	<u>37,952</u>	<u>2,600</u>	<u>88,807</u>
<u>1,513</u>	<u>10,578</u>	<u>47,984</u>	<u>5,461</u>	<u>125,435</u>
-	-	-	-	17,354
-	20,000	40,000	-	116,001
<u>-</u>	<u>3,120</u>	<u>9,850</u>	<u>-</u>	<u>33,275</u>
<u>-</u>	<u>23,120</u>	<u>49,850</u>	<u>-</u>	<u>116,630</u>
1,513	(12,542)	(1,866)	5,461	(41,195)
-	-	-	-	9,951
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,951)</u>	<u>(4,951)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,951)</u>	<u>5,000</u>
1,513	(12,542)	(1,866)	510	(36,195)
<u>(6,471)</u>	<u>29,719</u>	<u>95,820</u>	<u>137,676</u>	<u>607,692</u>
<u>\$ (4,958)</u>	<u>\$ 17,177</u>	<u>\$ 93,954</u>	<u>\$ 138,186</u>	<u>\$ 571,497</u>

# CASEVILLE TOWNSHIP

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## GOVERNMENTAL ACTIVITY

### SCHEDULE OF INDEBTEDNESS

March 31, 2006

#### 2002 LAND CONTRACT PAYABLE

Issue in the amount of	\$	100,000
Less:		
Principal paid in prior years		18,087
Principal paid in current year		<u>6,876</u>
Balance payable at March 31, 2006	\$	<u><u>75,037</u></u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal</u></i> <i><u>Due</u></i>	<i><u>Interest</u></i> <i><u>Due</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2007	8.00%	\$ 8,110	\$ 5,236	\$ 13,346
2008	8.00%	9,550	5,009	14,559
2009	8.00%	10,343	4,216	14,559
2010	8.00%	11,201	3,358	14,559
2011	8.00%	12,131	2,428	14,559
2012	8.00%	13,138	1,421	14,559
2013	8.00%	<u>10,564</u>	<u>356</u>	<u>10,920</u>
		<u>\$ 75,037</u>	<u>\$ 22,024</u>	<u>\$ 97,061</u>

# CASEVILLE TOWNSHIP

## GOVERNMENTAL ACTIVITY

### SCHEDULES OF INDEBTEDNESS

March 31, 2006

#### 1998 SAND POINT SPECIAL ASSESSMENT BONDS

Issue in the amount of	\$	170,000
Less:		
Principal paid in prior years		110,000
Principal paid in current year		<u>20,000</u>
Balance payable at March 31, 2006	\$	<u><u>40,000</u></u>

Balance payable as follows:

<i>Fiscal</i>		<i>Principal Due</i>	<i>Interest Due</i>		<i>Total</i>
<i>Year Ended</i>	<i>Rate</i>	<i>3/1</i>	<i>9/1</i>	<i>3/1</i>	<i>Annual Requirement</i>
2007	4.70%	\$ 20,000	\$ 940	\$ 940	\$ 21,880
2008	4.70%	<u>20,000</u>	<u>470</u>	<u>470</u>	<u>20,940</u>
		<u>\$ 40,000</u>	<u>\$ 1,410</u>	<u>\$ 1,410</u>	<u>\$ 42,820</u>

#### 1999 SANDY ISLE SPECIAL ASSESSMENT BONDS

Issue in the amount of	\$	355,000
Less:		
Principal paid in prior years		155,000
Principal paid in current year		<u>40,000</u>
Balance payable at March 31, 2006	\$	<u><u>160,000</u></u>

Balance payable as follows:

<i>Fiscal</i>		<i>Principal Due</i>	<i>Interest Due</i>		<i>Total</i>
<i>Year Ended</i>	<i>Rate</i>	<i>3/1</i>	<i>9/1</i>	<i>3/1</i>	<i>Annual Requirement</i>
2007	5.25%	\$ 40,000	\$ 4,260	\$ 3,210	\$ 47,470
2008	5.30%	40,000	3,210	2,150	45,360
2009	5.35%	40,000	2,150	1,080	43,230
2010	5.40%	<u>40,000</u>	<u>1,080</u>	<u>-</u>	<u>41,080</u>
		<u>\$ 160,000</u>	<u>\$ 10,700</u>	<u>\$ 6,440</u>	<u>\$ 177,140</u>

# CASEVILLE TOWNSHIP

## GOVERNMENTAL ACTIVITY

### SCHEDULES OF INDEBTEDNESS

March 31, 2006

#### 2000 HARTSHORN SUBDIVISION AND GAGETOWN ROAD SPECIAL ASSESSMENT DISTRICT BONDS

Issue in the amount of	\$	150,000
Less:		
Principal paid in prior years		55,000
Principal paid in current year		<u>15,000</u>
Balance payable at March 31, 2006	\$	<u>80,000</u>

Balance payable as follows:

<i>Fiscal</i>		<i>Principal Due</i>	<i>Interest Due</i>		<i>Total</i>
<i>Year Ended</i>	<i>Rate</i>	<i>5/1</i>	<i>5/1</i>	<i>11/1</i>	<i>Annual Requirement</i>
2007	5.00%	\$ 15,000	\$ 2,000	\$ 1,625	\$ 18,625
2008	5.00%	15,000	1,625	1,250	17,875
2009	5.00%	15,000	1,250	875	17,125
2010	5.00%	15,000	875	500	16,375
2011	5.00%	<u>20,000</u>	<u>500</u>	<u>-</u>	<u>20,500</u>
		<u>\$ 80,000</u>	<u>\$ 6,250</u>	<u>\$ 4,250</u>	<u>\$ 90,500</u>

#### 2000 GAGETOWN ROAD AND THE GLENN'S SUBDIVISION SPECIAL ASSESSMENT DISTRICT BONDS

Issue in the amount of	\$	280,000
Less:		
Principal paid in prior years		100,000
Principal paid in current year		<u>35,000</u>
Balance payable at March 31, 2006	\$	<u>145,000</u>

Balance payable as follows:

<i>Fiscal</i>		<i>Principal Due</i>	<i>Interest Due</i>		<i>Total</i>
<i>Year Ended</i>	<i>Rate</i>	<i>5/1</i>	<i>5/1</i>	<i>11/1</i>	<i>Annual Requirement</i>
2007	7.75%	\$ 30,000	\$ 5,695	\$ 4,533	\$ 40,228
2008	7.80%	30,000	4,533	3,363	37,896
2009	7.85%	30,000	3,363	2,185	35,548
2010	7.90%	30,000	2,185	1,000	33,185
2011	8.00%	<u>25,000</u>	<u>1,000</u>	<u>-</u>	<u>26,000</u>
		<u>\$ 145,000</u>	<u>\$ 16,776</u>	<u>\$ 11,081</u>	<u>\$ 172,857</u>



# CASEVILLE TOWNSHIP

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## GOVERNMENTAL ACTIVITY

### SCHEDULE OF INDEBTEDNESS

March 31, 2006

#### 2003 MICHAEL AND GEORGINA DRIVE SPECIAL ASSESSMENT DISTRICT BONDS

Issue in the amount of	\$	44,000
Less:		
Principal paid in prior years		2,000
Principal paid in current year		<u>6,000</u>
Balance payable at March 31, 2006	\$	<u><u>36,000</u></u>

Balance payable as follows:

<i>Fiscal</i>		<i>Principal Due</i>	<i>Interest Due</i>		<i>Total</i>
<i>Year Ended</i>	<i>Rate</i>	<i>5/1</i>	<i>5/1</i>	<i>11/1</i>	<i>Annual Requirement</i>
2007	6.00%	\$ 6,000	\$ 1,080	\$ 900	\$ 7,980
2008	6.00%	5,000	900	750	6,650
2009	6.00%	4,000	750	630	5,380
2010	6.00%	4,000	630	510	5,140
2011	6.00%	5,000	510	360	5,870
2012	6.00%	6,000	360	180	6,540
2013	6.00%	<u>6,000</u>	<u>180</u>	<u>-</u>	<u>6,180</u>
		<u>\$ 36,000</u>	<u>\$ 4,410</u>	<u>\$ 3,330</u>	<u>\$ 43,740</u>

# CASEVILLE TOWNSHIP

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## BUSINESS-TYPE ACTIVITY

### SCHEDULE OF INDEBTEDNESS

March 31, 2006

#### 1999 WATER DISTRIBUTION SYSTEM SPECIAL ASSESSMENT DISTRICT # 1 BONDS

Issue in the amount of \$ 3,745,000

Less: Principal paid in prior years 745,000  
Principal paid in current year 200,000

Balance payable at March 31, 2006 \$ 2,800,000

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Rate</i>	<i>Interest Due</i>			<i>Total</i>
		<i>Principal Due</i>			<i>Annual</i>
		<i>5/1</i>	<i>5/1</i>	<i>11/1</i>	<i>Requirement</i>
2007	4.80%	\$ 200,000	\$ 72,450	\$ 67,600	\$ 340,050
2008	4.85%	200,000	67,600	62,700	330,300
2009	4.90%	200,000	62,700	57,750	320,450
2010	4.95%	200,000	57,750	52,500	310,250
2011	5.25%	200,000	52,500	47,250	299,750
2012	5.25%	200,000	47,250	42,000	289,250
2013	5.25.%	200,000	42,000	36,750	278,750
2014	5.25%	200,000	36,750	31,500	268,250
2015	5.25%	200,000	31,500	26,250	257,750
2016	5.25%	200,000	26,250	21,000	247,250
2017	5.25%	200,000	21,000	15,750	236,750
2018	5.25%	200,000	15,750	10,500	226,250
2019	5.25%	200,000	10,500	5,250	215,750
2020	5.25%	200,000	5,250	-	205,250
		\$ 2,800,000	\$ 549,250	\$ 476,800	\$ 3,826,050

# CASEVILLE TOWNSHIP

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## BUSINESS-TYPE ACTIVITY

### SCHEDULE OF INDEBTEDNESS

March 31, 2006

#### 2000 WATER SYSTEM SPECIAL ASSESSMENT DISTRICT #2 BONDS

Issue in the amount of \$ 360,000

Less: Principal paid in prior years 45,000  
Principal paid in current year 15,000

Balance payable at March 31, 2006 \$ 300,000

Balance payable as follows:

<i>Fiscal</i>		<i>Principal Due</i>	<i>Interest Due</i>		<i>Total</i>
<i>Year Ended</i>	<i>Rate</i>	<i>5/1</i>	<i>5/1</i>	<i>11/1</i>	<i>Annual Requirement</i>
2007	5.00%	\$ 20,000	\$ 8,025	7,525	\$ 35,550
2008	5.05%	20,000	7,525	7,025	34,550
2009	5.10%	20,000	7,025	6,520	33,545
2010	5.15%	20,000	6,520	6,010	32,530
2011	5.20%	20,000	6,010	5,495	31,505
2012	5.25%	20,000	5,495	4,975	30,470
2013	5.30%	20,000	4,975	4,450	29,425
2014	5.35%	20,000	4,450	3,920	28,370
2015	5.40%	20,000	3,920	3,380	27,300
2016	5.50%	20,000	3,380	2,830	26,210
2017	5.60%	20,000	2,830	2,270	25,100
2018	5.65%	20,000	2,270	1,710	23,980
2018	5.70%	20,000	1,710	1,145	22,855
2019	5.70%	20,000	1,145	575	21,720
2020	5.75%	20,000	575	-	20,575
		<u>\$ 300,000</u>	<u>\$ 65,855</u>	<u>\$ 57,830</u>	<u>\$ 423,685</u>

# CASEVILLE TOWNSHIP

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## BUSINESS-TYPE ACTIVITY

### SCHEDULE OF INDEBTEDNESS

March 31, 2006

#### 2002 WATER DISTRIBUTION SYSTEM SPECIAL ASSESSMENT DISTRICT # 3 BONDS

Issue in the amount of	\$	340,000
Less:		
Principal paid in prior years		15,000
Principal paid in current year		<u>15,000</u>
Balance payable at March 31, 2006	\$	<u><u>310,000</u></u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Rate</i>	<i>Principal Due</i>		<i>Interest Due</i>		<i>Total</i> <i>Annual</i> <i>Requirement</i>
		<i>5/1</i>	<i>5/1</i>	<i>11/1</i>		
2007	4.75%	\$ 20,000	\$ 7,544	\$ 7,069	\$	34,613
2008	4.75%	20,000	7,069	6,594		33,663
2009	4.75%	20,000	6,594	6,119		32,713
2010	4.75%	20,000	6,118	6,543		32,661
2011	4.75%	20,000	6,544	5,169		31,713
2012	4.75%	20,000	5,169	4,694		29,863
2013	4.75%	20,000	4,694	4,219		28,913
2014	4.75%	20,000	4,218	3,743		27,961
2015	4.75%	20,000	3,744	3,269		27,013
2016	4.75%	20,000	3,269	2,789		26,058
2017	4.80%	20,000	2,789	2,299		25,088
2018	5.00%	15,000	2,298	1,923		19,221
2019	5.05%	15,000	1,924	1,545		18,469
2020	5.10%	20,000	1,545	1,035		22,580
2021	5.15%	20,000	1,035	520		21,555
2022	5.20%	20,000	520	-		20,520
		<u>\$ 310,000</u>	<u>\$ 65,074</u>	<u>\$ 57,530</u>	<u>\$</u>	<u>432,604</u>

# CASEVILLE TOWNSHIP

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## BUSINESS-TYPE ACTIVITY

### SCHEDULE OF INDEBTEDNESS

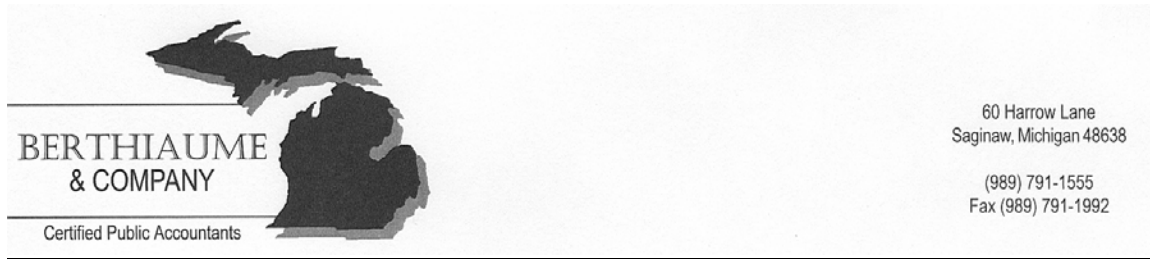
March 31, 2006

#### 1999 WATER TOWER AND PLANT EXPANSION REVENUE BONDS

Issue in the amount of	\$	3,900,000
Less:		
Principal paid in prior years		425,000
Principal paid in current year		<u>200,000</u>
Balance payable at March 31, 2006	\$	<u><u>3,275,000</u></u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Rate</i>	<i>Principal Due</i>		<i>Interest Due</i>		<i>Total</i> <i>Annual</i> <i>Requirement</i>
		<i>5/1</i>	<i>5/1</i>	<i>11/1</i>	<i>11/1</i>	
2007	5.100%	\$ 200,000	\$ 94,603	89,503	\$	384,106
2008	5.200%	200,000	89,503	84,303		373,806
2009	5.300%	200,000	84,303	79,003		363,306
2010	5.400%	200,000	79,003	73,603		352,606
2011	5.500%	200,000	73,603	68,103		341,706
2012	5.600%	200,000	68,103	62,503		330,606
2013	5.700%	200,000	62,503	56,803		319,306
2014	5.800%	225,000	56,803	50,278		332,081
2015	5.900%	225,000	50,278	43,641		318,919
2016	6.125%	225,000	43,641	36,750		305,391
2017	6.125%	300,000	36,750	27,563		364,313
2018	6.125%	300,000	27,563	18,375		345,938
2019	6.125%	300,000	18,375	9,188		327,563
2020	6.125%	300,000	9,188	-		309,188
		<u>\$ 3,275,000</u>	<u>\$ 794,219</u>	<u>\$ 699,616</u>	<u>\$</u>	<u>4,768,835</u>



June 25, 2006

To The Township Board  
Caseville Township

We have audited the financial statements of Caseville Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Caseville Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Caseville Township are described in Note 1 to the financial statements. We noted no transactions entered into by Caseville Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The Township implemented Governmental Accounting Board Statement No. 34 as of April 1, 2005.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5)

Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have significant issues, regarding these matters, to report to you at this time, as follow:

#### Significant Audit Adjustments

We provided the Township with approximately thirty (30) adjusting journal entries. The most significant of these entries was for prior period adjustments as detailed in note #14 on pages 25 and 26 of the financial statements.

#### Difficulties Encountered

The Township has several special assessment receivables for various road, canal dredging or water related projects. We initially found that the general ledger receivable balance for each roll/district did not agree or reconcile with the total of the subsidiary account receivable listing. With assistance from the Township Treasurer and Clerk we ultimately were able to reconcile the detail records they provided with a corrected general ledger balance. A significant prior period adjustment was required as noted above.

#### Comments and Recommendations

##### *Tax Account:*

We noted that the Township has not been using a separate property tax trust account for the collection and payment of property taxes. The Michigan Department of Treasury, Local Audit Division, in their accounting procedures manual indicates the need for Township's to use a separate tax trust account.

We recommend that the separate tax account be established as soon as possible.

##### *Special Assessments:*

#### Reconciliation

During our audit, as previously stated, we found that the general ledger special assessment receivable balances had not been reconciled to an accurate subsidiary record balance. It is our understanding that the Township Clerk and Treasurer have already made the bookkeeping changes necessary to correct this problem in the future

#### Excess Liability

We also noted some differences between the available assets (cash and special assessments receivables) and the related special assessment bonds payable. It appears that the Hartshorn, Gagetown and Glenns Subdivision roads special assessment districts, as of March 31, 2006, have together accumulated an excess of liabilities (Bonds Payable) over assets (Cash & SA Receivables) of approximately \$40,000.



We suggest that the Township review this situation and consider a corrective plan.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated June 25, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants